

## **Criteria for Replacement Projects under SO 973 from 1 September 2021**

The Constitutional Practice and Discipline of the Methodist Church defines replacement projects at Standing Order 973 as:

**973 Replacement Projects.** (1) This Standing Order applies when the proceeds of one or more dispositions are to be employed in or towards a replacement project and consent to the disposition or dispositions has been granted under Section 93 on that basis.

Classification of a project as a replacement project requires the consent of the appropriate connexional authority (S.O. 931(1)(ix)).

(1A) The Methodist Council shall adopt criteria for the classification of a project as a replacement project.

(2) If the replacement project costs not less than the net proceeds, arrived at in accordance with Standing Order 972(2), and is implemented forthwith then no levy shall be required.

(3) If the replacement project costs less than such net proceeds and is implemented forthwith then the levy shall be calculated on the unused balance or balances, as if they were the net proceeds.

(4) If the replacement project is not implemented forthwith then the levy shall initially be paid as if there were no such project, but if the project is implemented within five years of the disposition or if the appropriate connexional authority has granted an exception to the five year requirement in this Standing Order, the levy shall be cancelled or recalculated in accordance with clause (2) or clause (3) above, as appropriate, and the overpayment refunded with interest at the rate earned by the Central Finance Board's Trustees Interest Fund.

(5) The Methodist Council shall adopt criteria for the grant of any exception under clause (4) above and as to the date on which a project is to be treated as implemented for the purposes of that clause.

### **Classifying a Project as a Replacement Project**

The Methodist Council has delegated to the Director of Property Support and the Assistant Secretary of the Conference the role of "appropriate connexional authority" under Standing Order 909. It is only these persons who can classify a project as a replacement project. All applications must meet the criteria outlined below as there is no appeals process.

### **Criteria for Classification of Replacement Projects**

In order for a project to be classified by the appropriate connexional authority as a replacement project it must fall within one of the two categories below and meet the relevant criteria.

#### **1) Direct Replacement Projects – like-for-like basis**

- A manse is sold and another one purchased by the same Circuit;
- A chapel is sold and a new chapel is purchased or built for the continuing Local Church;
- A church hall is sold and a new church hall is purchased or built for the continuing Local Church;
- A caretaker's house is sold and a new caretaker's house is purchased or built for the same Local Church;
- Ancillary premises are sold and similar premises are purchased or built on a new site ('Ancillary premises' are premises falling within the curtilage of the church site).

### **What will not be a direct replacement project?**

- The sale of a manse and the redevelopment of a church building;
- Sale of agricultural land to purchase a manse;
- Sale of a manse and use of the proceeds of sale to improve an existing manse;
- A chapel closes and its premises are sold and the Circuit Meeting want to use the proceeds of sale to redevelop another church building in the Circuit.
- Sale of church premises and using the proceeds of sale to fund revenue costs for mission work.

## **2) Review of Mission — one or more dispositions**

Where a disposition is undertaken following a strategic review of property as part of Circuit or District Mission and Property Plans to deliver mission more effectively and witness in the local community, a replacement project can be classified where there is no direct replacement of the premises disposed of. However there are a number of criteria that must be fulfilled for such a project to be classified as a “replacement project”:

### **Criteria where a Local Church is selling the whole or any part of its premises (including a former caretaker’s dwelling) or where two or more Local Churches have amalgamated but there is no direct replacement project**

- (i) Local Church Context: The Church Council has resolved that following a strategic review of property and mission within Circuit or District Mission and Property Plans, the Local Church needs to rationalise its premises more effectively to deliver mission and witness in the local community;
- (ii) Circuit Context: The Circuit Meeting must have agreed to the rationalisation of the Local Church premises as part of its Circuit Mission and Property Plans;
- (iii) District Context: The District Policy Committee or body to whom it delegates such decisions must have agreed to the rationalisation of the Local Church premises in the context of its District Mission and Property Plan;
- (iv) Strategic Context: It must be illustrated that the disposition has also been considered in the context of the Strategic Guidance for the Use of Property in Mission;
- (v) Mission Impact and Effectiveness: The project must be making a positive and sustainable contribution to the life and growth of the church in the community and the wider, shared work of the Circuit and District;
- (vi) Supporting Evidence (Mission): The project must illustrate that it has been through a rigorous process of planning, reflection and strategic missional thinking linked to growth and community needs;
- (vii) Supporting Evidence (Financial and Business): The project must illustrate that it has been through a rigorous business planning process to indicate project capital costs and expenditure and long term financial planning to ensure sustainability of at least 10 years;
- (viii) Incentivising Creativity: The project must involve redeveloping or re-modelling existing church premises, purchasing new church premises, or purchasing land and building new church premises, or some other type of partnership or joint venture working to create new church accommodation for mission. Disposing of a property simply to fund the repair and maintenance of an existing church building will not be classified as a replacement project.

### **Criteria where more than one manse is being sold but only one purchased**

- (i) The Circuit that is purchasing the manse must also be the Circuit selling one or more manses;
- (ii) The decision to sell more than one manse but to purchase only one replacement manse must have followed a review of mission by the Circuit Meeting which has led to the decision to rationalise the manses in the Circuit;
- (iii) The Circuit Meeting must provide a written justification for why they only need to purchase one manse e.g. the number of ministerial appointments to the Circuit has been reduced and/or one larger manse is required for mission purposes in a location that is more expensive;

- (iv) All the manses being sold must have been used for the purpose of accommodating a minister appointed to the Circuit within the past five years.

N.B. The cost of refurbishing or redeveloping the manse being purchased is not included within the cost of the replacement project.

### **5 Year Rule**

Under SO 973(4) any replacement project must be implemented within five years of the disposition. The replacement project must either have started e.g. the building project begun, or the property/land purchased, within 5 years of the completion date.

"Implementation" in SO 973(4) will be interpreted to mean:

- (i) Where the cost of the replacement project includes the purchase of land or property and the redevelopment of that land or property:-

That the transfer of the land or property being the replacement project in terms of the legal process has completed

**AND**

That the structural/building work for the replacement project has actually begun e.g. bricks being laid, as opposed to professional advisers just having been instructed.

**OR**

- (ii) Where the cost of the replacement project only includes the purchase of land or property:-

That the transfer of the land or property being the replacement project in terms of the legal process has completed.

### **Exceptions to the 5 Year Rule**

Where a project is classified as a replacement in accordance with the replacement project criteria above adopted by the Methodist Council but the replacement project has not been implemented as defined above, within five years of the relevant disposition(s), the Methodist Council (or those to whom it has delegated) may agree an exception to the application of the five year rule if all of the following criteria are met:

- (i) The replacement project was originally classified as a replacement under SO 973 with the intention that implementation would occur within the five year period;
- (ii) The request for designation as a replacement project should have been made in a timely and planned manner prior to the disposition or within two years of such disposition;
- (iii) The replacement project is supported by the Circuit and District with relevant consents under SO 930;
- (iv) The relevant managing trustee body instructed professionals to begin negotiations or plans for the replacement project in terms of building works or legal transactions, within the five year period;
- (v) Unforeseen events or circumstances have arisen that have been beyond the control of the managing trustees and these have led to a delay in implementation of the replacement project.
- (vi) Managing trustees are able to provide an explanation outlining in detail what has been achieved in the five year period in relation to the replacement project, what the circumstances were for any delays, what work is still required to class the project as complete, along with approximate timescales for completion.

### **Deductions from the Proceeds of Sale prior to the CPF levy being calculated**

The Constitutional Practice and Discipline of the Methodist Church defines Contributions to the CPF and Application of Capital Money at Standing Orders 972 and 916 respectively:

**972 Contributions.** (1) When trustees dispose of property on which a levy is chargeable under Standing Order 970 they shall, subject to Standing Order 973, contribute part of the proceeds to the fund as follows:

(iA)	up to £20,000 or the first £20,000	Nil
(i)	on any excess over £20,000 up to £100,000	20%
(ii)	on any excess over £100,000	40%

(2) The sum upon which the levy is calculated shall be the balance remaining after making the payments required under heads (i), (ii) and (iii) of Standing Order 916(1) or made for work to the property disposed of which has been undertaken on the advice of a qualified surveyor for the purpose of increasing the proceeds of the disposal.

**916 Application of Capital Money.** (1) Subject to clauses (2) and (3) below, capital money shall be applied to or for the following purposes and in the following order:

- (i) in payment of the expenses, if any, of or connected with the sale or other transaction giving rise to the receipt of the money, including the cost of a qualified surveyor's report as to the value of the property in question;
- (ii) unless the parent body (in the case of connexional property) or the appropriate connexional authority (in any other case) otherwise permits, in the discharge of all or any encumbrances or liabilities on the trust property or on the trustees, whether personal or otherwise, lawfully incurred or assumed in the execution of the Model Trusts or by virtue of section 11 of the 1976 Act;
- (iii) unless the treasurer or treasurers of the fund in question otherwise direct, in repayment in whole or in part of any grant at any time received in connection with the trust property from any connexional fund; according to the date of the disposal, as follows, and so that any such direction may be for repayment of more or less than the amount shown, or of none:
  - up to and including the 5th anniversary of the date of the grant: 100%
  - thereafter up to and including the 6th anniversary: 80%
  - thereafter up to and including the 7th anniversary: 60%
  - thereafter up to and including the 8th anniversary: 40%
  - thereafter up to and including the 9th anniversary: 20%
  - thereafter: nil;
- (iv) in making such payment, if any, to the Connexional Priority Fund as may be required by the provisions of Standing Order 972;
- (v) where the money arises from any sale, letting or other disposition of model trust property which has received consent under Standing Order 930 as part of a project involving the application of the proceeds to particular purposes, in applying the proceeds accordingly;
- (vi) where Standing Order 945 applies, in paying the balance to the custodian trustees in accordance with the provisions of that Standing Order;
- (vii) subject to the above, for the purposes specified in Standing Order 917.

**Guidance/examples of expenses that fall within SO 916(1)(i)**

- Legal fees connected to the sale;
- Surveyors fees connected to the sale e.g. qualified surveyors report;
- Work undertaken to the property being sold which has been recommended by the surveyor in order to increase the sale price;
- Other professional fees connected with the sale e.g. estate agents.

**Guidance/examples of expenses not falling within SO 916(1)(i)**

- Legal fees associated with the purchase of the replacement project;

- Legal fees associated with the replacement project or another project e.g. purchase of the replacement manse or the redevelopment of another property/site;
- Professional fees connected with the replacement project or another project e.g. surveyors fees for negotiating with a developer, home buyers survey fees, architect fees for redevelopment project;
- Gardening/plumbing/electric services undertaken at the property being sold or at the property being purchased;
- Insurance costs for the property being sold or purchased;
- Utility bills for the property being sold or purchased;
- Work undertaken on the property being purchased e.g. repair, improvements or extensions to the property;
- Work undertaken to the property being sold which has not been recommended by a surveyor to increase the sale price.

### **Application**

The above criteria will apply from 1 September 2021. Any property project that has already gained district (or connexional if applicable under SO 931) consent prior to that date that is subsequently designated a replacement project under SO 973 will be dealt with using the criteria that were in force at the time; i.e. the criteria effective prior to 1 September 2021. Furthermore, projects that have been designated as replacement projects prior to 1 September 2021 will only benefit from a CPF levy refund on the sale property that has already been identified.